

**California Commission on Tax Policy
in the New Economy**

Sacramento
February 12, 2003

Proceedings

FEBRUARY 12, 2003: SACRAMENTO

Conference Call @ 5:00 pm

William J. Rosendahl, Chairman
Marilyn C. Brewer
Scott Peters
William Dombrowski
Sean Burton
Lawrence Carr
Lenny Goldberg
Glen Rossman
William Weintraub

Nick Bollman - President of CCRL
Roger Dunstan - Assistant Director, California Research Bureau
Scott Farris - Governor's Office of Planning and Research
Kari Dohn
Kurt Schuparra
Tal Finney
Martha Jones – California Research Bureau
Howard Roth
Doug Brown
Jesse Szeto
Marshall Graves

Conference Call Summary ‘
California Tax Commission Conference Call
February 12, 5:00 pm

1. Roll call by William J. Rosendahl, Chairman

COMMISSIONERS PARTICIPATING IN CONFERENCE CALL:

- **William J. Rosendahl, Chairman**
- Bob Affleck
- Nick Bollman
- **Marilyn C. Brewer**
- Doug Brown
- **Sean O. Burton**
- **Lawrence Carr**
- **William Dombrowski**
- Roger Dunstan
- **Lenny Goldberg**
- Marshall Graves
- Helmke
- **Scott Peters**
- **Glen Rossman**
- Jesse Szeto
- William Weintraub

2. Tax Commission Upcoming Meeting Dates and Locations:

- | | | |
|----------------------------|-----------------------------|-------------------|
| • February 24, 2003 | -- 8:30 am – 1:00 pm | Sacramento |
| • March 12, 2003 | -- All Day | Sacramento |
| • March 24, 2003 | -- Field | North |
| • April 14, 2003 | -- Field | South |
| • April 21, 2003 | -- Draft Report | Sacramento |

NICK BOLLMAN – PRESIDENT OF CCRL

Economic strategy and regional economic strategy

22 org; around CA; ec. strat, environment protection; economic opportunity; growth plan.

e.g. Sierra Business Council
San Diego EDC
1977 –82 NIC Fiscal Crisis

Hewlett and Irvine Foundation

- Blue File Com on tax policy and reformed
- Sup CRB Comm of Stat and Local Government (V ?? gora com._____)
- Changed hertfling's regional com.
- Fiscal reform

Field Meetings – Public Visibility

Key Economic Sectors

Locations:

- James Irvine Foundation
 - Commonwealth Club
 - USC
 - Regional Gouts
- } **SF**
- } **LA**

Want to hear from previous Blue Ribbon Panels

Governor asked for help

Large constituency for support

ROGER DUNSTAN – CALL WITH FRED SILVA

How to publish report. Fred can help

PPIC event mid – March Fiscal Policy

Will provide paper to Commission

Final draft stage – 2 day offsite?

SCOTT FARRIS BIOBRIEF FROM BILL R.

Jesse – we will meet week of Feb 17th

His role – coordinator / Executive Director of Commission

Will get good rep from Steve Peace

MARILYN C. BREWER

Feb 24th Ackerman, Cox Campbell Brulte to speak

Bill – Feedback from Kari Dohn

Rainy day fund

Volatility

Structural Change
SCOTT PETERS

One hour on 24th for property tax pros & cons. Follow up on March 12th

WILLIAM DOMBROWSKI SSTP ON 12TH WITH SENATOR BRENDA

Don't breakout SSTP fold into
Put VAT into Sales and Use Tax

Florida Surtax?

Scott Peters – League of Cities will help early morning.

Westly will come on the 12th.

Sean Burton – on 24th What is short term deliverable?

Dinner on 24th

William Weintraub - Governor is looking for structural tax reform

- I don't feel comfortable on LT new taxes
- But for structural reform, it's for LT change for budget sys.

William J. Rosendahl – We need to readdress after 2/24 and 3/12

- Our report will be about options and not recommendations.

Marilyn C. Brewer will send copy of tape to Howard Jarvis Group.

California Commission on Tax Policy in the New Economy

**Conference Call
February 12, 2003
5:00 PM**

Roll Call

Chairman Rosendahl conducted a roll call. All Commissioners were present in addition to Bob Affleck (EDD), Nick Bollman (CCRL), Roger Dunstan and Martha Jones (CRB), Doug Brown (Senator Vasconcellos), Martin Helmke (Senate Rev and Tax Committee), Jesse Szeto and Marshall Graves (TTCA).

Nick Bollman, California Center for Regional Leadership (CCRL)

Nick was introduced by Chairman Rosendahl, who briefly explained how Nick and his organization got involved with the Commission. Essentially Nick is a close friend of Dan Zingale in the Governor's office and he volunteered the services of CCRL to help the Commission respond to the Governor's request for an additional Interim Report. CCRL is a statewide nonprofit organization established to support, facilitate, and promote innovative regional solutions for our major economic, environmental and societal challenges to help achieve a more sustainable California. It works to encourage and enable effective regional strategies by local and state government.

Nick strongly encouraged the Commission to hold additional meetings away from Sacramento in order to garner strong public support for the Commission's work and develop a constituency in the two major economic regions, with due consideration being given to ease of access by commercial air travel. This would be especially critical to gather support for any ballot initiatives the Commission may choose to endorse. Consequently, the following dates and locations were *proposed* (to be approved at the next Commission meeting):

February 24, 2003	Sacramento
March 12, 2003	Sacramento
March 24, 2003	Northern California (Bay area)
April 14, 2003	Southern California (LA area)
April 21, 2003	Sacramento

The general consensus was to have a draft second interim report prepared for Commissioner and public review at the April 14th meeting. The April 21st meeting would be reserved for final draft approval and editing. April 30th is the target date for publication.

Nick also suggested conducting a roundtable discussion among the various Chairs of the previous Blue Ribbon Panels that also dealt with taxation and budget reform. The most likely opportunity for that would be during the March 24th meeting in the Bay area. He referenced the paper submitted by Roger Dunstan, chronicling the major studies recently undertaken by various commissions and panels

CCRL has established extensive networks with more than 20 regional nonprofits and foundations involved in economic development. Chairman Rosendahl and Nick will collaborate on writing a concept paper describing what the Governor has requested the Commission to do. They will send this to a few carefully selected foundations and organizations with a letter soliciting resources and funding to assist the Commission with its work.

Roger Dunstan, California Research Bureau (CRB)

Roger discussed his meeting with Fred Silva (Public Policy Institute of California - PPIC) on February 11th. PPIC is preparing an April event on fiscal policy including discussions on establishing a State reserve fund and spending limit proposals. He has offered to prepare materials for the Commission and may be able to attend one of the March meetings. Fred suggested a two to three day off-site gathering of key personnel to draft the Interim Report.

Scott Farris, Governor's Office of Planning and Research

Chairman Rosendahl introduced Scott Farris, who has been designated as the Commission's Executive Director representing the Governor's Office. He will assist the Commission in getting high level representatives from the major Administration departments involved in fiscal policy, such as the Department of Finance. He will meet with Jesse Szeto during the week of February 17th to establish guidelines, roles and responsibilities for his involvement with the Commission.

Commissioner Brewer

Commissioner Brewer confirmed the attendance of Senator Ackerman and Assembly members Cox and Campbell at the February 24th meeting. Senator Brulte is not confirmed but his attendance is probable. She is also attempting to get someone from the Howard Jarvis Taxpayers Association to speak to the Commissioners.

Chairman Rosendahl

Chairman Rosendahl thanked Commissioner Brewer for her efforts and reiterated his perspective on what he believed the Governor had asked the Commissioners to consider for the May Revised budget deliberations. He indicated he had sent videotape copies of the Governor's remarks to each of the Commissioners and asked the commissioners to review them. He categorized his observations of the Governor's request into three themes:

- Concepts of a reserve fund with appropriate triggers
- Reducing the volatility of revenues
- Offering various suggestions to be considered for structural changes to the budget process and taxation policies

He highlighted the topics for discussion at the February 24th meeting and asked Commissioners Peters and Dombrowski to ensure adequate time is reserved for robust discussions of the pros and cons on each side of these issues:

- Property tax and revenue sharing
- Sales and use tax (with a vote on SSTP)

Commissioner Dombrowski

Commissioner Dombrowski suggested that March 12th could be used for further discussions if time at the February 24th meeting becomes limited. He also requested the working groups proposed to deal with the Streamlined Sales Tax Project and the Value Added Tax be incorporated into the Sales and Use Tax working group. All agreed.

Commissioner Rossman

Commissioner Rossman suggested eliminating the proposed working group dealing with the Florida surtax and include relevant discussions of this tax with the Sales and Use Tax working group. This was met with general agreement. He expressed concern about signing up to any new tax structure with such a short time available to do the necessary analyses. He cautioned about a rush to provide a temporary fix for a short-term problem that could exacerbate a fiscal policy if the short-term fix becomes perpetuated in the long-term. Governments tend not to look beyond solving near term crises, which can make matters worse after the crises are overcome.

Commissioner Weintraub

Commissioner Weintraub echoed Commissioner Rossman's concerns. He cautioned the Commissioners against focusing only on the very short-term crisis at hand to the detriment of better long-term solutions.

Chairman Rosendahl

Chairman Rosendahl indicated the Interim Report would provide options for the Governor's office and the Administration's Agencies / Departments to consider for structural reform and would not offer concrete recommendations. However, that clearly would be the intent of the Final Report, for which sufficient time exists to conduct the analyses leading to whatever recommendations the Commissioners choose to offer.

Commissioner Peters

Commissioner Peters received an offer from the California League of Cities to help the Commissioners with their analyses of Property Tax and Revenue Sharing issues.

Commissioner Burton

Commissioner Burton confirmed State Controller Steve Westly will appear at the Commission meeting on March 12th. He requested sufficient time be set aside at the February 24th meeting for the Commissioners to identify what exact deliverables are needed to respond to the Governor's request.

Chairman Rosendahl

Chairman Rosendahl considered the meetings on February 24th and March 12th as the opportunities to formulate the Commissioners ideas on these topics. In the forthcoming weeks he will continue to talk with the Commissioners outside of the regular meetings and may schedule additional conference calls if necessary. He deferred to Commissioners Brewer, Weintraub and Rossman regarding input from the Howard Jarvis Taxpayers Association. He also enjoined the Commissioners to consider their ideas in the broader context of developing a consensus among the Commissioners, which will enhance public acceptance of the Commissioners' work. He closed the call by thanking Doug Brown, Jesse Szeto and Marshall Graves for their continued dedicated support of the Commission and by thanking the Commissioners for joining him in making valuable contributions to California's future.